EAST Search History

Ref #	Hits	Search Query	DBs	Default Operator	Plurals	Time Stamp
L1	0	strategic adj marketing adj system.ti.	USPAT	OR	OFF	2006/05/11 08:07
L2	1	strategic adj marketing adj system.ti.	US-PGPUB; USPAT; USOCR; EPO; JPO; DERWENT; IBM_TDB	OR	OFF	2006/05/11 08:07
S1	1	contact adj relationship adj management.ti.	US-PGPUB; USPAT; USOCR; EPO; JPO; DERWENT; IBM_TDB	OR	OFF	2006/05/10 09:58
S2	6	contact adj relationship adj management	US-PGPUB; USPAT; USOCR; EPO; JPO; DERWENT; IBM_TDB	OR	OFF	2006/05/10 10:02
S3	426	relationship adj management and target and query$7 and contact	US-PGPUB; USPAT; USOCR; EPO; JPO; DERWENT; IBM_TDB	OR	ON	2006/05/10 10:03
S4	9	relationship adj management and target and query$7 and contact adj database and history adj database	US-PGPUB; USPAT; USOCR; EPO; JPO; DERWENT; IBM_TDB	OR	ON	2006/05/10 10:06
S5	37	relationship adj management and target and query$7 and contact adj database and history	US-PGPUB; USPAT; USOCR; EPO; JPO; DERWENT; IBM_TDB	OR	ON	2006/05/10 10:06

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Knowing what products and services a customer would most likely buy is a telemarketer's dream. With advances in data mining and modeling technology, that fantasy is becoming a reality for banks. With the help of tools that identify who their most profitable customers are, banks are transforming routine customer calls into profit-generating sales pitches.

"Banks are trying to build a better understanding of their customers," says Sandy Devine, general manager of consumer financial services practice at American Management Systems (AMS), Fairfax, VA, a firm that supplies decision-making engines for banks to help in that process. "They're looking at who's valuable today and who will be most valuable in the future, and which customers are most loyal and likely to remain that way."

Call centers are but one of many points of contact between a bank and its customers. Bank marketers realize that these interactions can be valuable opportunities to deepen their relationships, but not without some retooling. Bank spending on call center technology will grow from $891 million in 1998 to $1.04 billion in 1999 and $1.2 billion in 2000, according to Durham, NC-based Mentis, a GartnerGroup company.

"Historically, call centers have been one size fits all," says Robin Klein, senior vice president for national consumer services channel management for $365-billion Chase Manhattan Bank, New York City. "We're now using technology to know our customers better and to build what we call 'institutional intimacy.'"

Chase categorizes high net worth customers as those with $25,000 or more in deposits or $100,000 or more in investments. Database models also consider demographics, psychographics and other behaviors that indicate a good candidate. In many cases, these customers are technology-savvy and comfortable doing financial transactions by phone or by computer. Likewise, many of them actively invest through the bank.

Chase's relationship managers keep a close watch on customers, aided by software that can red flag managers when it appears that a customer may be jumping ship. "If a client calls up at 2 a.m. and wants to trade out of the bank," Klein says, "the system can empower a bank representative to do what's needed to save that relationship."

Digging for data nuggets

Customer representatives are only as effective as the information that's provided to them. But digging for the golden nuggets of customer information that may be stored on various systems, and converting that data into information that predict future buying patterns, isn't simple.

But a growing number of vendors are providing these tools. Exchange Applications, Inc., for example, offers Valex, a marketing automation system that identifies opportunities and then sifts the results of marketing campaigns to refine subsequent campaigns.

"Valex allows marketers to segment customers based on behavior and value," says Wayne Townsend, vice president of professional services for Boston-based Exchange Applications. "Outbound marketing can be triggered by Valex as it defines who should be targeted with what offer and at what time."

BankAmerica uses Valex to assist in campaign and promotion initiatives. Christopher Kelly, senior vice president of database marketing for the $525 billion-asset bank, says that Valex has helped BankAmerica identify the top 20% of its profitable customers and, on average, cut time to market for campaigns from one month to one week.

Valex, which ranges in cost from $200,000 to more than $1, manages several types of marketing campaigns. An event campaign reacts to customer interactions, such as contacting all customers who opened an account within the previous 30 days but haven't activated it yet. By contrast, a stream

campaign may involve mailing an offer to a customer, followed by a telephone call within 15 days and a subsequent mailing 15 days after that. Event and stream campaigns can be combined as well.

Valex draws data from many sources, including customer databases, promotion and transaction histories, product profiles, demographics and credit information. This information can be used with specific customers as well as part of the modeling process to generate scores for campaigns.

The way Valex works is when a customer is on the line, a customer service representative receives some indication about the customer's value to the bank, and information about the best product to pitch to that particular customer. How the bank represents the customer's value varies-some banks don't want to reveal customers' exact net worth to customer service reps. However, customer service representatives do receive some kind of indication that the person on the line has a high potential, thereby encouraging agents to invest an appropriate amount of time and care into taking care of the caller's needs.

Training the troops

Although call center reps are being asked to do a whole lot more than just answer customer questions, retraining operators to handle these new responsibilities hasn't been onerous, AMS' Devine says.

AMS' customer decision management system, called Strata, is being used by $71 billion U.S. Bancorp, Minneapolis, and by Toronto-based Royal Bank of Canada. "Call center operators are pretty adept at implementing company policies," says Devine.

However, different policies sometimes show up on an operator's screen for customers who may, at first glance, appear to have similar profiles. The Strata software uses analytic, behavioral and value models to create a series of decisions that prompt the operator to follow.

"In some cases, the bank may want to grow the relationship based on this analysis," says Devine. "In cases of customer risk or even the possibility of attrition, the bank may want to exercise some control. The customer service agent can't assimilate that kind of data in two seconds."

Regardless of the vendors that banks use to build their systems, the focus remains firmly on building relationships.

Crestar Bank, a $24.9 billion bank based in Richmond, VA, has spent more than two years leveraging its customer database into a relationship-building management tool. Using an Oracle database on Unix servers, Crestar tracks not only customers' accounts and profitability, but also the channels they use.

"Whenever a customer touches the bank," says Book Booker, Crestar's senior vice president for telephone banking, "that information is added to the database to help us build a pattern of behavior."

The resulting data, used to designate which customers fall into the high profitability range, is just now becoming available to all parts of the bank. The call center currently accounts for 50% of the bank's consumer business. In most cases, these calls are made simply to maintain customer relations. With the increased ability to focus on profitable customers, Booker expects to raise that figure by another 10 percent.

The data is useful in other ways as well. Branch closures, Booker says, tend to stress a bank's relationship with customers.

"We call those clients and explain why we're closing the branch, what their options are and where they can find other branches," says Booker. "Normally, we expect a lot of runoff during those transitions, but now we have essentially none."

The ins and outs

Banks have had mixed success with outbound telemarketing. But when a customer initiates the call, the likelihood for success is much greater, experts say.

"When a customer calls the bank, it's one of the best cross-selling opportunities you can have," says David Howe, an analyst specializing in customer relationship management for Booz-Allen & Hamilton, New York. "You're not interrupting him at dinner or stuffing his mailbox. In many cases, you're helping him or her solve a problem, which puts the customer in a more receptive mood."

Creating and operating a successful inbound cross-selling operation requires considerable investment and re-engineering, Howe says. For starters, it requires a matrix of hardware and software that link databases to a data warehouse and includes analyzing tools and modeling software. Data marts have to be developed and tested.

The requirements for successful cross-selling strategies extend beyond hardware and software needs-behavioral changes also need to addressed. Call center agents, Howe says, need proper incentives. The priority of making calls as short as possible has to give way to longer

calls and measuring overall profitability. "It's a different world when you get into cross-selling," says Howe, who adds that a first-rate system costs between $10 and $30 million.

Cleveland-based KeyBank, for example, is linking its IBM Call Path computer telephony interface (CTI) with its customer data warehouse to provide inbound call center agents with both account and sales information. When completed, the system will produce a pop-up screen indicating the appropriate products or services for the caller on the line. "Until recently, banks thought that they were in the same financial conversation with all their clients," says Paul O'Malley, telephone channel manager for $73.7 billion KeyBank, "but now we need to be precise with each customer."

KeyBank segments its customer population several ways, ranging from mass-market customers on up through entry-level affluent customers and those who need wealth management.

Members of each group are asked to call a different number. That way, call center agents are tipped off to the type of customer on the line before picking up the call. Within each group, customers also get ranked in one of five categories according to profitability.

KeyBank hopes to cash in on the 4 million customer calls it receives on average each month. Of those, more than 900,000 customers ask to speak to a KeyBank customer service rep, presenting a great sales opportunity "if we can get the right information to the agent," O'Malley says. Currently, operators will refer customers to the inbound sales group, an activity that results in more than one-third of the group's monthly sales volume.

Customers who simply connect to KeyBank's voice response unit (VRU) receive product offers that are part of a marketing campaign or the result of customer modeling that matches a particular customer to a product or service. After receiving their checking balance, for example, customers may hear a sales pitch for a home equity loan program that they would perhaps be interested. The customer can either hang up or press a designated key to connect to a sales agent. Direct-sales campaigns are also linked to the VRU, offering a follow-up message about sales letters that have been sent to the customer's home.

KeyBank ran a short pilot program of this TeleTIM (triggered immediacy marketing) system early in 1998. Of the 6,000 qualified customers who called during the test month, 180 opted to be connected to the telesales department. KeyBank launched a second pilot began later in the year, with a target customer base of 120,000.

Mickey Mencin, marketing manager for Key Electronic Services, says Key hopes to exceed the three percent closing rate of the first test. Mencin says this form of so-called passive marketing has considerable upside. "You don't have to send out a direct mailing, and you don't have to do outbound telemarketing," she says. "It's a great way to cross-sell and up-sell our existing clients."

Defining profitability

Of course, not all high worth customers generate significant profits for their banks. Some affluent customers may visit branches frequently and make their investments through an online broker.

On the other hand, a factory worker may be more profitable to a bank than someone who earns $100,000 a year because he or she is a heavy ATM user and has direct payroll deposit plus a tidy savings account with at the bank.

David Pope, an executive in charge of consumer and small business sales and service at $65.4 billion Wachovia Bank, Winston-Salem, NC, says these profitability distinctions are important not only in the present, but also for the future.

Wachovia has been developing an in-house Profitable Relationship Optimization (PRO) system to sort out these different elements of customer profitability. Data mining techniques identify marketing opportunities among Wachovia's customer base, which includes 1.7 million households. This information feeds into a lead staging and management system that routes customer information to the appropriate banker at their desktop. Several thousand bankers in Wachovia's 750-branch network use this virtual call center to make outbound calls, focusing on the top 30% of households that are both profitable and potential for growth.

Through this PRO lead system, Wachovia claims a closing rate of about 20%, Pope says, and a customer retention rate of 97%.

"We're using a consultative sales process," says Pope. "We're shifting the focus from selling products and services to defining customers' needs and matching those needs with what we have to offer."

Wachovia conducts extensive employee training for this process, including multimedia courses and role-playing.

"All banks are trying to pay attention to their more profitable

customers," says Robert Landry, group director for retail and consumer credit at The Tower Group, Needham, MA. The average customer, Landry says, touches his or her bank about 30 times a month. Banks have to bring their knowledge of that customer to every point of contact.

"Banks don't have to sell to the customer each time," says Landry, "but they do have to build relationships, and they're doing it according to profitability and the opportunities to meet customers' needs."

For large banks, this relationship orientation is critical, especially as more banks add securities and other investments to their product lines. A non-profitable customer in the retail area may bring a large investment portfolio to the table that can more than make up the difference.

The technologies that support increased customer orientation are also becoming more available to smaller banks. "Smaller banks are more customer focused and flexible," Landry says, "so there's no reason they can't compete in this market as well."

A Call To Arms

Banks are investing large amounts of financial capital on their call centers. Call centers expenditures on hardware and software are projected to top $1.7 billion by 2002.

Annual Spending, In Millions

1997	$728
1998	$891
1999	$1,050
2000	$1,192

Source: Mentis,a GartnerGroup Co.

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